STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Central Illinois Light Company d/b/a AmerenCILCO Central Illinois Public Service Company d/b/aAmerenCIPS Illinois Power Company d/b/a AmerenIP.	:	
	:	10-0517
Petition for accounting order.	:	

REPLY BRIEF OF THE STAFF OF THE ILLINOIS COMMERCE COMMISSION

NOW come the Staff witnesses of the Illinois Commerce Commission ("Staff"), by and through their undersigned counsel, pursuant to Section 200.800 of the Illinois Commerce Commission's ("Commission" or "ICC") Rules of Practice (83 Ill. Adm. Code 200.800), respectfully submit their Reply Brief in the instant proceeding.

I. INTRODUCTION

Nothing in Central Illinois Light Company d/b/a Ameren CILCO; Central Illinois Public Service Company d/b/a AmerenCIPS; and Illinois Power Company, now the Ameren Illinois Company's ("AIC" or "Company") Initial Brief has caused Staff to change its recommendation that AIC should be required to maintain records of its costs and revenues separately by rate zone to the extent possible. One of the themes of AIC's Brief is that since the closing, AIC operates as one utility with one service area and one set of tariffs and that there are not separate books. (AIC IB, p. 2) However, this argument ignores the fact that AIC's petition in this proceeding seeking rulings on how it shall maintain its books. It is for the Commission to determine how AIC will maintain its books.

Staff has proposed that AIC maintain its underlying cost data separately for each of the rate zones and present 83 Ill. Adm. Code 285 (“Part 285”) and other data separately in its testimony and schedules to comply with Part 285 so that separate revenue requirement schedules by rate zone can be provided, should the Commission need this data in setting rates and/or determining if or how rates should be combined. This practice would preserve the Commission’s ability to set cost-based rates until the rate zones are merged. Although the Ameren Illinois Utilities have now merged into one entity, as long as separate rates are charged for each of the three legacy utilities, the costs and revenues of each legacy utility should be considered when rates are set.

Understandably AIC is advocating a position that would provide it, immediately, the full benefits of the merger i.e., the three utilities operating as one. However, this position ignores the reality that the current rates in each of the three rate zones are based upon the facts of the individual merged utilities. Staff continues to recommend that the Commission require data be maintained separately until the Commission approves combined rates for the three rate zones.

Staff’s Initial Brief identified and responded to many of the arguments raised in AIC’s Initial Brief. In the interest of brevity, Staff has not raised and repeated every argument previously addressed in Staff’s Initial Brief, rather, this Reply Brief hereby incorporates by reference Staff’s Initial Brief. Thus, the omission of a response to an argument that Staff previously addressed simply means that Staff stands on the position taken in its Initial Brief because further or additional comment is neither needed nor warranted.

II. DISCUSSION

A. Proposal 4: Retain Separate Revenue Data, But Not Cost, By Rate Zone

Although the Illinois utilities have been merged into a single integrated utility, rates have not been integrated and AIC operates with three separate rates zones. Ameren concedes that the merger was not the mechanism to merge rates. (AIC Brief, p. 8) Ameren's protest of Staff's suggestion that it should maintain cost data by rate zone is based upon its status as one legal entity. (Id.) Ameren points out that the rate zones do not function as separate and distinct operating divisions, (Id.) AIC will have consolidated financial statements, one Federal Energy Regulatory Commission ("FERC") Form 1, and that payments for goods and services will be made by AIC, not the legacy utilities. However, as long as there are different rates being charge by the three legacy utilities, the Commission will need to consider the costs of the legacy utilities when setting rates. In order to prepare separate Part 285 schedules for each rate zone, AIC will need to maintain separate cost data.

Ameren contends that the rate zones are purely for rate design purposes, but then attempts to distinguish between rate design and cost of service. (AIC IB, pp. 7-8) In AIC's view, the only consideration in setting rates for the three rate zones will be to avoid undue bill impacts. (*Id*.)The Commission has a history of basing rates on cost of service. Until the Commission approves combined rates, it will need to review a revenue requirement and cost of service study for each rate zone when setting rates for the zones.

Ameren complains that under Staff's and the Attorney General's ("AG") proposal, it will not be able to obtain "the full benefits of the merger until rates have merged." (AIC IB, p. 9) It is reasonable to require Ameren to wait to receive the "full benefit of the merger" until the rates are consolidated. The alternative is to set non-cost-based rates for the three rate zones.

B. Proposal 5: To Submit One Set of Part A, B, C and G Schedules

Ameren's repeated argument that the rate zones do not function as disconnected and disparate service areas again ignores any consideration of cost based rates. Staff did not intend to imply that the rate zones are disconnected divisions operating independently of each other. (See AIC IB, p. 13) Rather Staff recognizes that there will necessarily be a transition period for the merger of the rates, and that costs in the separate rate zones should be considered during the transition period. Staff has not requested that separate Part 285 schedules should be filed *ad infinitum* (see AIC IB, p. 14), Staff's recommendation has consistently been to require separate Part 285 schedules and cost of service studies *until the three rate zones are consolidated*. (See Staff IB, p. 3, pp. 11-12, 18)

C. Proposal 5: To Submit One Class Cost of Service Study

Staff continues to recommend that AIC be required to provide a cost of service study ("COSS") based upon the individual costs for each of the three rate zones until the Commission approves combined rates for the three rate zones. (See *Id*., p. 18)

AIC's proposed alternative of developing three separate COSS, one for each rate zone, from one revenue requirement using allocations would not in result in cost based rates. COSS for each separate rate zone, based upon individual costs would produce more reliably cost based rates.

III. CONCLUSION

WHEREFORE, for the reasons stated in the paragraphs above, the Commission should order Ameren:

1) To maintain the Riders GUA and EUA separately by rate zone but allocate uncollectible costs using historic data for adjustments developed after the merger, on the conditions that:

   a. AIC files the proposed tariff language changes implementing this allocation, and

   b. AIC annually provides supplemental schedules to Form 21 reflecting Account 904 data by rate zone;

2) To consolidate the costs for Riders PER-Purchased Electricity Recovery and HSS-Hourly Supply Service, and allocate future price adjustments by allocating costs to each rate zone on and after the effective date of the restructuring on the condition that AIC files the proposed tariff language changes implementing this allocation;

3) To maintain separate rider revenue and cost data related to the following riders that will not be immediately combined: EAC, GEA, TAR, HMAC, and PGA;

4) To maintain the following revenue data until the Commission approves combined rates for the three rate zones:

a. Revenues by rate zone for the power and gas supply riders, distribution delivery, customer charges, various other rate riders, including in some instances the underlying cost support;
b. The electric billing determinants retained by rate zone should include:
    i. kWh, including kWh by summer and non-summer, and by applicable usage block;
    ii. kW, including Distribution Delivery Charge kW differentiated by voltage for DS-3 and DS-4 customers, Transformation kW for DS-3 and DS-4 customers, and kW-day values for Rider RTP and Rider HSS customers;
    iii. Peak kVAR for billing the Reactive Demand Charge for DS-4 customers;
    iv. Customer counts, including customer counts differentiated by voltage; Meter counts, including meter counts differentiated by voltage, meter reassignment

charge counts for applicable legacy AmerenCIPS customers;

v. Lighting Service fixture counts by group (Area, Directional, and Decorative), fixture charge type (Sodium Vapor 100, Sodium Vapor 250, Sodium Vapor 250, Metal Halide 400, Metal Halide 175) and physical fixture type referenced in DS-5 tariffs as "Lighting Fixtures not Available to New Installations.

c. The gas billing determinants retained by rate zone should include:

i. Therms, differentiated between Company-supplied and 3rd-party supplied, and service pressure at or below 60 psig and greater than 60 psig, where applicable;

ii. Customer counts, differentiated by customer usage where applicable;

iii. Count of customers using the Meter Data Access provision; MDCQ demands, differentiated by Company-supplied and 3rd-party supplied, and service pressure at or below 60 psig and greater than 60 psig, where applicable;

iv. MDCQ overrun demands, differentiated by service pressure at or below 60 psig and greater than 60 psig; Demand charge quantities for GDS-5 seasonal customers, differentiated by

Company-supplied and 3rd-party supplied, and service pressure at or below 60 psig and greater than 60 psig.

5) To retain in both a combined and individual basis for the fourth quarter 2010 and thereafter the cost data underlying its separate delivery services rate zone tariffs;

6) To provide separate Part 285 A, B, C and G schedules representing each rate zone. In the alternative, the Commission should order AIC to provide work papers listed in Attachment A to ICC Staff Exhibit 1.0 with all of its rate filings until rates are combined;

7) To provide a separate cost of service study for each of the three rate zones with all of its rate filings until rates are combined; and

8) To present a combined capital structure for the electric and natural gas businesses of AIC in future rate cases, subject to the following conditions:

   a. AIC shall identify the original issuer of all legacy securities in future rate case filings in the same format shown in Staff Exhibit 2.0, Attachment 2.01; and

   b. AIC shall report balance sheet impacts of purchase accounting adjustments relating to AmerenCILCO and AmerenIP by submitting verified, updated information of the same type and in the same format as Staff Cross Exhibit 1, to the Manager of the Commission's Finance

Department, at the same time the Company submits the information required by 83 Ill. Adm. Code 285 for future rate cases.

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Respectfully submitted,

/s/________________________
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